

M e m o r a n d u m

To: Panel Members Date: June 22, 2007

From: Ruby Cohen, Manager Analyst: K. Ohta/J. Basquez

Subject: One-Step Agreement for **KYOHU MANUFACTURING CALIFORNIA (KHMCA) - CRITICAL PROPOSAL**

CONTRACTOR:

- Training Project Profile: Job Creation: Training Of Unemployed Workers
- Legislative Priorities: Locating Into Or Expansion Within California
Promoting California's Manufacturing Workforce
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full-Time Employees
 - Worldwide: 1,266
 - In California: 140
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: None

CONTRACT:

- Program Costs: \$883,120
- Substantial Contribution: \$0
- Total ETP Funding: \$883,120
- Total In-kind Contribution: \$840,000
 - Trainee Wages Paid During Training: \$840,000
 - Other Contributions: \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: San Joaquin, Alameda

INTRODUCTION:

Kyoho Manufacturing California (KHMCA), is a division of Kyoho Machine Works, Limited, which is a subsidiary of Toyota Motor Corporation. Kyoho headquarters is located in Toyota City, Japan and the Stockton facility is the first Kyoho plant outside of Japan. KHMCA manufactures the structural frame parts for the automobiles produced by New United Motors Manufacturing, Inc. (NUMMI) in Fremont.

NUMMI is the only remaining major auto assembly plant in California. NUMMI's success is predicated on its ability to obtain parts and related supplies just-in-time. KHMCA opened the plant in Stockton three months ago in order to meet this demand. KHMCA hopes this new location will allow it to reduce logistics costs and implement just-in-time.

This proposal will provide vocational and literacy training to skilled workers in 140 new jobs, and will result in further hiring. Overall, it will foster economic expansion in a region that qualifies as a High Unemployment Area (HUA). For these reasons, it was developed as a Critical Proposal.

KHMCA meets out-of-state competition requirements under Title 22, California Code of Regulations (CCR) Section 4416 (a) for manufacturing, distribution and related services provided to customers both inside and outside of California.

MEETING ETP GOALS AND OBJECTIVES:

KHMCA proposes training that will further the following ETP goals and objectives:

- 1) Job creation to fund training of 140 new employees.
- 2) Critical proposal for a company locating in California.
- 3) Promote the retention and expansion of the state's manufacturing workforce.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retraitees	MENU: Business Skills Computer Skills Continuous Improvement Literacy Skills Management Skills Manufacturing Skills	140	120 - 400	\$6,308	*\$12.38 - \$32.00
Wages After 90-Day Retention					
<u>Occupation</u> Production Group Leaders Production Team Member Maintenance Group Leaders Maintenance Team Member Engineers Specialist Managers/Supervisors					
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> *Health Benefits of \$.88 an hour may be added to the trainee's wages to meet the ETP minimum hourly wage of \$12.38 per hour for San Joaquin County.				<u>Turnover Rate</u> N/A	<u>% Of Mgrs & Supervisors To Be Trained:</u> 7%
<u>Other Employee Benefits:</u> In addition to the health, dental and vision benefits, the company provides paid vacation and sick leave. Holidays. 401K and Life Insurance.					

COMMENTS / ISSUES:

➤ **Frontline Workers**

All participants except 10 manager/supervisors in this project meet the Panel definition of frontline workers under Title 22 CCR, Section 4400(ee).

➤ **Trainee Eligibility**

Some of the newly-hired trainees in this project may not have a sufficient work history as needed to meet the "participant eligibility" standards at UI

COMMENTS / ISSUES: (continued)

Code Section 10201(c). Funding is still authorized for those trainees under Special Employment Training (SET) at UI Code Section 102014.5. However, rather than encumber limited SET funds for the entire project up front, trainees will be screened for eligibility at the time of billing and the funding source will be adjusted accordingly.

➤ **Request for training over 200 hours**

NUMMI's schedule for the development of KHMCA into a qualified Toyota supplier requires training on actual equipment making sellable/useable finished goods which may be shipped to NUMMI as part of the pre-production trials before the new product launch in December 2007. KHMCA sent 12 of their newly hired managers to Japan to receive 2 - 3 weeks of intensive training, in maintenance, quality and production. KHMCA will also bring experienced trainers from other facilities in Japan to oversee and coordinate the training processes in Stockton. All training coordinators are part of KHMCA management team or are specialists.

All employees will be required to check for quality specifications, operate welding machinery, and parts management. To accomplish this goal, Kyoho will be training and evaluating all new employees in two phases. The first phase will be actual training on new equipment, literacy skills, process training, problem solving and communication. During this phase of training, each employee will be closely supervised and no sellable product will be produced. By October of this year, the employees will go into the second phase of the training where they will actually be in a low production mode since they will be actually producing a product on the machinery. During this phase the employees will continue their training under supervision, but should need less supervision as their knowledge and experience grows. Since ETP will be funding the first phase of training, there will be a minimal amount of productive laboratory training during ETP-funded training.

The Panel requires a justification when a proposed Contractor requests a waiver to the 200-hour maximum that the Panel normally funds for retrainees. KHMCA is asking that the Panel fund up to 400 hours of the total 650 hours of training that are required for most employees to meet Toyota production standards. To allow curriculum flexibility, ETP would apply a range of 120 – 400 hours.

RECOMMENDATION:

Staff recommends that the Panel approve this Critical Proposal. ETP-funded training will assist KHMCA in launching its new facility in Stockton and will train skilled frontline workers in 140 new jobs. Staff also recommends that the Panel allow a higher cost-per-trainee because a range of 120 – 400 hours is justified by the training needs of newly hired employees.

NARRATIVE:

Reflecting the importance of its California operations as a supplier to NUMMI, this is training "from the ground up" not only to familiarize new employees with technical manufacturing equipment, but also to introduce them to exacting production standards in a highly developed corporate culture. Moreover, KHMCA scheduling must be carefully timed to meet NUMMI deadlines. Specifically, the first mass production launch from the Stockton facility will coincide with NUMMI's new model launch in December 2007.

To this end, KHMCA has already started to train new employees in Japan and will continue training in California. There will be classroom or offsite training that is directly related to the process of manufacturing automotive parts for NUMMI. NUMMI's schedule for pre-production trials requires that KHMCA employees attain specified levels of competency in the various processes by certain milestone dates.

Company representatives state that \$62 million will be spent on land, the plant, system, and equipment. KHMCA plans to provide Business Skills, Computer Skills, Continuous Improvement, Literacy Skills, Management Skills, and Manufacturing Skills. KHMCA training goals aim to enhance manufacturing and quality skills, as well as the Toyota Production System (TPS) and Preventative Maintenance knowledge. ETP funded training will assist in meeting these goals because it will allow more flexibility for laboratory training and skill development.

Business Skills: training will be provided to all trainees in a broad range of occupational skills tailored to the organization's needs and the employees' occupational requirements, and designed to improve overall customer service, sales, and marketing techniques.

Computer Skills: training will be provided to the manufacturing and maintenance team in manipulation of robotic welders, and correct change-over of machines and jigs of electronic dials. The equipment being used is robotic welders.

Continuous Improvement: all trainees will receive training in statistical process control, teambuilding, process improvement and other continuous improvement processes to ensure product quality, establish teams and meet customer demands.

Literacy Skills: many of the frontline workers will receive job-related literacy skills training to improve understanding of required product and process documentation.

Management Skills: training will be provided to front-line employees who were promoted to supervisory and managerial positions, based on their knowledge and achievements and have little familiarity with the skills of a successful manager. The management skills component includes mentoring and coaching, leadership skills, conflict resolution techniques, oral presentation skills, and business writing skills has been included in the proposal.

Manufacturing Skills: training will be provided to all newly hired trainees to ensure that they can set-up and maintain the new equipment. Trainees have prior experience operating the new equipment or implementing the new systems, and therefore require extensive manufacturing skills training.

NARRATIVE: (continued)

Commitment to Training

Because this is a new company, no previous-employer supported training program exists. KHMCA will not be receiving any other government funds to offset the cost of this training. The Company will be covering the following types of training such as employee orientation, sexual harassment prevention, and Cal-OSHA mandated safety training.

KHMCA will continue to commit funds to training its employees in all aspects of the manufacturing process as well as the training needed to become self-sufficient in future launches.

SUBCONTRACTORS:

None.

THIRD PARTY SERVICES:

None.












KYOHO MANUFACTURING CALIFORNIA (KHMCA)

MENU CURRICULUM













Class/Lab Hours
(120 – 400)

Trainees will receive any of the following:










BUSINESS SKILLS

-  Accounting
-  Payroll Systems
-  Business Plans
-  Business Administration
-  Merchandising
-  Financial Strategies
-  Inventory Control
-  Product Knowledge
-  Strategic Planning
-  Evaluations and Monitoring
-  Business and Report Writing and Editing
-  Negotiating
-  Conflict Management
-  Interpersonal Skills

COMPUTER SKILLS

-  Integrated Material
-  Computerized Scheduling
-  Sales
-  Forecasting
-  Material Resource Planning
-  Inventory Control
-  Purchase Order Tracking
-  Cost Accounting
-  Engineering and Document Control
-  Personnel
-  Payroll
-  General Accounting









CONTINUOUS IMPROVEMENT

-  Statistical Process Control
-  Problem Solving
-  Teambuilding
-  Quality Concepts
-  Total Quality Management
-  ISO 9000 – 9005
-  Just-In-Time Processes
-  Production Scheduling
-  Production Operations/Workflow













KYOHO MANUFACTURING CALIFORNIA (KHMCA)

MENU CURRICULUM (continued)






CONTINUOUS IMPROVEMENT (continued)

-  Process Improvement
-  Decision Making
-  Leadership Skills
-  Interpreting Charts Graphs
-  Pareto
-  Histogram
-  Fishbone Diagrams
-  Statistical Analysis









LITERACY SKILLS (training limited to 45% of total training hours)

-  Basic English Language Skills
-  Writing / Reading Language Comprehension
-  Writing letters and business reports
-  Reading Work orders
-  Safety Regulations and other documents
-  Language comprehension
-  Understanding verbal direction and instruction
-  Understanding the Numbering System
-  Fractions / Decimals
-  Positive and Negative Numbers
-  Rounding-off Rules
-  Basic Understanding of Algebraic Equations

MANAGEMENT SKILLS (for managers/supervisors only)

-  Leadership
-  Decision Making
-  Motivation
-  Team Building
-  Coaching

MANUFACTURING SKILLS

-  Production Operations
-  Parts and Products Manufacture
-  Equipment Operation
-  Assembly Procedures
-  Inventory Control
-  Warehousing
-  Manufacturing Practices
-  Cross-Training in production equipment / skills